

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	86.75	86.75	91.75	91.75	86.75	91.75	5.00	5.76%
Personal Services	4,481,208	4,347,984	4,966,483	4,972,966	8,829,192	9,939,449	1,110,257	12.57%
Operating Expenses	6,889,877	6,722,512	7,696,637	7,418,259	13,612,389	15,114,896	1,502,507	11.04%
Equipment & Intangible Assets	25,050	238,120	25,050	25,050	263,170	50,100	(213,070)	(80.96%)
Total Costs	\$11,396,135	\$11,308,616	\$12,688,170	\$12,416,275	\$22,704,751	\$25,104,445	\$2,399,694	10.57%
General Fund	11,134,395	11,046,759	12,309,639	12,043,182	22,181,154	24,352,821	2,171,667	9.79%
State Special	124,805	124,804	124,804	124,804	249,609	249,608	(1)	0.00%
Other	136,935	137,053	253,727	248,289	273,988	502,016	228,028	83.23%
Total Funds	\$11,396,135	\$11,308,616	\$12,688,170	\$12,416,275	\$22,704,751	\$25,104,445	\$2,399,694	10.57%

Program Description

The Information Management and Technology Division serves as the operational foundation for the department's business units. Refunds and other key services for taxpayers, tax compliance collections, valuation of property, and the certification of property values to local governments all depend on the operation of this division. The division's deposits of over \$1.7 billion dollars in annual taxpayer payments enhance the state's investment earnings and ensure the fiscal integrity of the state. These services are provided while ensuring the security and protection of confidential taxpayer information, facilitating the department's mission to serve the citizens of Montana in a fair and equitable manner.

Program Highlights

Information Management and Technology Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The budget increases in this division would be due to: <ul style="list-style-type: none"> • \$1.5 million increased operating expenses from vendor contracts and new information technology proposals • Personal services increases of \$1.1 million with raises provided in FY 2012 and a proposal for 5.00 new FTE to expand E-Services for property and sales taxes
Major LFD Issues
<ul style="list-style-type: none"> ◆ The agency requests permanent FTE for the development and expansion of the current E-Services function

Program Discussion

In the 2015 budget proposal, new proposals for personal services and operating expenses drive the increases. Personal service costs would increase primarily due to the following:

- A new proposal for 5.00 FTE would add \$588,101 for the 2015 biennium
- In FY 2012, 41 staff of this program, approximately 47.3% of the budgeted FTE, were given raises that averaged 6%. The raises are an annualized program cost of \$87,721, not including taxes and, insurance.
- The division experienced a vacancy rate, based on position usage, of 5.2% in FY 2012, compared to the budgeted 4% rate.

Increased operating expenses would result primarily from the higher cost of information technology (IT) vendor services for the GenTax system and enhancements proposed for the on-line tax services.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Revenue Funding by Source of Authority 2015 Biennium Budget - Information Management & Technology Div							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$24,352,821	\$0	\$0	\$24,352,821	97.0%		
State Special Total	\$249,608	\$0	\$0	\$249,608	1.0%		
02088 Ssr Administrative Funds	\$249,608	\$0	\$0	\$249,608	1.0%		
Proprietary Total	\$502,016	\$0	\$0	\$502,016	2.0%		
06005 Liquor Division	\$502,016	\$0	\$0	\$502,016	2.0%		
Total All Funds	\$25,104,445	\$0	\$0	\$25,104,445	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Information Management and Technology Division is primarily funded with general fund. State special revenue funds support the administration of hail insurance premiums, the livestock per capita fee, and the lodging facilities tax. The proprietary funding is from a direct appropriation of Liquor Control Division proprietary fund and is for the Liquor Control Division share of division support costs. The allocation is a percentage of the program’s budget. Liquor Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	11,134,395	11,134,395	22,268,790	91.44%	11,396,135	11,396,135	22,792,270	90.79%
Statewide PL Adjustments	19,556	43,539	63,095	0.26%	136,347	154,892	291,239	1.16%
Other PL Adjustments	517,601	535,767	1,053,368	4.33%	517,601	535,767	1,053,368	4.20%
New Proposals	638,087	329,481	967,568	3.97%	638,087	329,481	967,568	3.85%
Total Budget	\$12,309,639	\$12,043,182	\$24,352,821		\$12,688,170	\$12,416,275	\$25,104,445	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					385,689					392,889
Vacancy Savings					(194,680)					(194,966)
Inflation/Deflation					20,669					37,478
Fixed Costs					(75,331)					(80,509)
Total Statewide Present Law Adjustments		\$19,556	(\$1)	\$0	\$136,347*		\$43,539	(\$1)	\$0	\$154,892*
DP 201 - Ongoing System Maintenance and Support Increase	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 205 - Rent and Parking	0.00	17,601	0	0	17,601	0.00	35,767	0	0	35,767
Total Other Present Law Adjustments	0.00	\$517,601	\$0	\$0	\$517,601	0.00	\$535,767	\$0	\$0	\$535,767
Grand Total All Present Law Adjustments	0.00	\$537,157	(\$1)	\$0	\$653,948*	0.00	\$579,306	(\$1)	\$0	\$690,659*

* "Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 201 - Ongoing System Maintenance and Support Increase - The executive requests an increase in general fund to support maintenance activities for the GenTax system. The increase would support increased costs of vendor maintenance.

DP 205 - Rent and Parking - The executive requests \$53,368 in general fund for the 2015 biennium to pay for contractual rent increases for existing lease obligations and increases in rates for downtown parking.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 203 - Enhance E-Services for Property and State Taxes											
02	5.00	636,276	0	0	636,276	5.00	327,670	0	0	327,670	
DP 6101 - Professional Development Center Fee Allocation											
02	0.00	1,811	0	0	1,811	0.00	1,811	0	0	1,811	
Total	5.00	\$638,087	\$0	\$0	\$638,087	5.00	\$329,481	\$0	\$0	\$329,481	

DP 203 - Enhance E-Services for Property and State Taxes - The executive requests a general fund appropriation to expand electronic services for property taxes and other non-individual income taxes, while ensuring the security and accuracy of the data. Additionally, to provide the enhanced services the executive requests 5.00 FTE for the 2015 biennium. A portion of this request, \$308,175, would be one-time-only funding.

LFD COMMENT	The new proposal for DP 203 includes \$308,175 in costs that would only be required in FY 2014. The one-time-only costs include consulting and equipment to start the expansion of the E-Services. The legislature may want to consider disaggregating this request and including those costs on a one-time-only basis to reduce the base budget impact of the expansion.
--------------------	---

**LFD
ISSUE**Additional FTE Request

The DOR requests 5.00 FTE to expand the existing E-Services function, which would cost \$963,946 in the 2015 biennium and have ongoing costs in excess of \$650,000 in future biennia, much of which is related to the cost of the new FTE. The proposal would expand the types of taxes that may be filed using electronic services. Currently, the property tax information technology (IT) system, Orion, does not have a public facing web services component. The operations costs of this proposal are largely IT vendor costs. According to the agency, the FTE are requested for:

- Project development research (assess feasibility and cost-effectiveness)
- Project management (planning, organizing, managing, and leading enhancements)
- Programming and development
- Testing
- Technical support
- Quality control
- Transitioning from manual processes to electronic processes
- Issues resolution
- Consultation, training, and outreach (both internal and external)
- Research, analysis, program, and policy development

Many of the listed tasks are related to development of expanded services as opposed to ongoing functionality. According to the agency, the integration of the new functionality cannot be managed with current program staff. The agency also states that the new staff is needed on an ongoing basis as the technology is always changing and improving. In the deliberation of this proposal, the legislature may want to further question the agency about the ongoing need for permanent FTE for the expansion of E-Services, and the potential impact on the workload of existing staff and consequently overall staffing needs.

If the legislature chooses to fund all or some portion of this request, it may wish to provide only FTE required on an ongoing basis and provide temporary or one-time-only FTE required for the development and upgrade phase of the project

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.